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Current Perspectives on Food Stamp Program Participation

Food Stamp Program Participation Rates: January 1988

Current Perspectives on Food Stamp Program Participation

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Food Stamp Program Participation Rates: January 1988

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CONTENTS

Chapter	Page
FOREWORD	vii
EXECUTIVE SUMMARY	xi
I INTRODUCTION	1
II METHODOLOGY AND DATA	5
A. THREE ALTERNATIVE MEASURES OF FSP PARTICIPATION	5
1. The Individual Participation Rate	5
2. The Household Participation Rate	6
3. The Benefit Rate	6
B. ESTIMATION OF PARTICIPATION RATES	6
III RESULTS	11
A. PARTICIPATION RATES BY SELECTED DEMOGRAPHIC CHARACTERISTICS	11
B. PARTICIPATION RATES BY SELECTED ECONOMIC CHARACTERISTICS	20
C. THE CHARACTERISTICS OF ELIGIBLE NONPARTICIPANTS	28
IV COMPARISONS OF AUGUST 1985 AND JANUARY 1988 PARTICIPATION RATES	35
A. CHANGES IN AGGREGATE PARTICIPATION RATES BETWEEN 1985 AND 1988	36
1. Major Reasons for the Shift in FSP Participation Rates between 1985 and 1988	38
2. Other Influences on FSP Participation Rates	39
3. Changes in FSP Participation Since 1988	40
B. IMPACT OF THE FSA ON DISAGGREGATED PARTICIPATION RATES	40
1. Subgroups of the Eligible Population Affected to the Greatest Extent by The FSA	41
2. The Impact of the FSA on the Change in Disaggregate Participation Rates from 1985 to 1988	43
3. Change in the Distribution of Eligible Nonparticipating Households between 1985 and 1988	47
C. SUMMARY	49

CONTENTS (continued)

Chapter	Page
REFERENCES	51
APPENDIX TECHNICAL PROCEDURES USED TO COMPUTE PARTICIPATION RATES AND TO ESTIMATE THE IMPACT OF THE 1985 FSA	53
A. USING ADMINISTRATIVE DATA TO ESTIMATE THE NUMBER OF PARTICIPANTS	55
B. USING SIPP TO ESTIMATE THE NUMBER OF ELIGIBLES	56
1. Developing the Analysis File	56
2. An Assessment of the Eligibility Simulation	58
C. TECHNICAL PROCEDURES USED TO ASSESS THE IMPACT OF THE FOOD SECURITY ACT ON FOOD STAMP PROGRAM PARTICIPATION RATES	61

TABLES

Table	Page
III.1	INDIVIDUAL, HOUSEHOLD, AND BENEFIT PARTICIPATION RATES: JANUARY 1988 12
III.2	HOUSEHOLD PARTICIPATION RATES BY HOUSEHOLD SIZE: JANUARY 1988 13
III.3	INDIVIDUAL PARTICIPATION RATES BY SELECTED DEMOGRAPHIC CHARACTERISTICS: JANUARY 1988 15
III.4	HOUSEHOLD PARTICIPATION RATES BY SELECTED DEMOGRAPHIC CHARACTERISTICS: JANUARY 1988 17
III.5	BENEFIT RATES BY SELECTED DEMOGRAPHIC CHARACTERISTICS OF THE HOUSEHOLD: JANUARY 1988 19
III.6	HOUSEHOLD PARTICIPATION RATES BY MONTHLY BENEFITS AS A PERCENTAGE OF THE MAXIMUM FSP ALLOTMENT: JANUARY 1988 21
III.7	INDIVIDUAL PARTICIPATION RATES BY THE RATIO OF GROSS INCOME OF THE INDIVIDUAL'S FOOD STAMP UNIT TO THE MONTHLY FEDERAL POVERTY LEVEL: JANUARY 1988 22
III.8	HOUSEHOLD PARTICIPATION RATES BY THE RATIO OF THE GROSS INCOME OF THE FOOD STAMP UNIT TO THE MONTHLY FEDERAL POVERTY LEVEL: JANUARY 1988 23
III.9	BENEFIT RATES BY THE RATIO OF THE GROSS INCOME OF THE FOOD STAMP UNIT TO THE MONTHLY FEDERAL POVERTY LEVEL: JANUARY 1988 24
III.10	HOUSEHOLD PARTICIPATION RATES BY SELECTED SOURCES OF INCOME: JANUARY 1988 27
III.11	CHARACTERISTICS OF ELIGIBLE NONPARTICIPATING HOUSEHOLDS ABOVE AND BELOW POVERTY: JANUARY 1988 30
III.12	THE CHARACTERISTICS OF ELIGIBLE NONPARTICIPATING HOUSEHOLDS BELOW POVERTY THAT ARE ELIGIBLE FOR THE MAXIMUM FOOD STAMP BENEFIT: JANUARY 1988 31

TABLES (continued)

Table		Page
III.13	DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ELIGIBLE NONPARTICIPATING HOUSEHOLDS: JANUARY 1988	32
IV.1	COMPARISON OF PARTICIPATION RATES BETWEEN 1985 AND 1988 REFLECTING THE IMPACT OF THE 1985 FOOD SECURITY ACT	37
IV.2	CHARACTERISTICS OF HOUSEHOLDS BECOMING NEWLY ELIGIBLE UNDER THE 1985 FOOD SECURITY ACT	42
IV.3	COMPARISON OF HOUSEHOLD PARTICIPATION RATES BY SELECTED DEMOGRAPHIC CHARACTERISTICS: AUGUST 1985 AND JANUARY 1988	44
IV.4	COMPARISON OF HOUSEHOLD PARTICIPATION RATES BY SELECTED ECONOMIC CHARACTERISTICS: AUGUST 1985 AND JANUARY 1988	45
IV.5	COMPARISON OF THE DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ELIGIBLE NONPARTICIPATING HOUSEHOLDS: AUGUST 1985 AND JANUARY 1988	48
A.1	FACTORS THAT AFFECT THE SIMULATION OF FOOD STAMP ELIGIBILITY WITH SIPP, AND THE DIRECTION OF THE BIAS	60
A.2	THE INCREMENTAL IMPACT OF THE MAJOR PROVISIONS OF THE FOOD SECURITY ACT	63

FOREWORD

The Food and Nutrition Service publishes periodic reports on Food Stamp Program (FSP) participation rates to help understand the extent to which food stamp benefits reach the intended recipients. *Food Stamp Program Participation Rates: January 1988*, the latest in the series, shows a small but noticeable decline in the participation rates between August 1985 and January 1988. The likely reasons behind this drop offer some interesting insights into the interaction between changes in eligibility rules and participation in the program.

IMPORTANCE OF PROGRAM PARTICIPATION RATES

The participation rate is the ratio of the number of individuals or households participating in a program to the number of those eligible for the program. The rate of participation in a public assistance program is a valuable measure of the program's overall performance. Although it is highly unlikely that any assistance program could achieve 100 percent participation among all those who are eligible for benefits, the participation rate can provide insights for policy makers who are concerned with reaching specific target populations. For example, comparisons of the overall participation rate with the rates for subsets of the eligible population can indicate the program's relative ability to reach these groups.

EFFECTS OF LEGISLATIVE CHANGES ON PARTICIPATION RATES

The Food Stamp Program participation rate can change as the number of persons participating in or the number of persons eligible for the program change. The number eligible for benefits shifts periodically as Congress expands or restricts eligibility rules. The numbers of participants and eligibles also fluctuate with changing economic conditions.

Legislative changes to the FSP implemented in May 1986 under the authority of the Food Security Act (FSA) of 1985 made the program more generous by expanding the number of individuals eligible to receive food stamps. Among other changes, the FSA granted automatic food stamp eligibility to households in which all members receive Aid to Families with Dependent Children or Supplemental Security Income, and raised the dollar amount of countable assets that households with no elderly and households of elderly living alone could own and still qualify for food stamps. Newly available data for 1988 enable us to examine the effect of these expansions on FSP participation rates.

CHARACTERISTICS OF NEW ELIGIBLES

The combined changes implemented in 1986 made an estimated 1.9 million more people, residing in 865,000 households, eligible for food stamps in 1988. The vast majority of the newly eligible were made eligible by the new asset provisions. In January 1988, 40 percent of newly eligible households consisted of elderly individuals who lived alone. A little over half consisted of households with no elderly, most of whom contained children and received earnings. Less than half of the newly eligible population had income below the poverty level. Thus, the increase in the eligible population was concentrated largely among single elderly persons, nonelderly with earnings and children, and

households whose income was above poverty. The following table shows the breakdown of new eligibles by these characteristics and by their rates of program participation in January 1988.

	Newly Eligible Households	Participation Rates Among Newly Eligible Households
Households with:		
Elderly	49%	6%
Living alone	40%	6%
Living with others	9%	6%
Nonelderly	51%	7%
With children	33%	7%
With earnings	28%	8%
Income above poverty level	52%	8%
Total	100%	6%

All told, *only seven percent of newly eligible individuals participated in the Food Stamp Program in January 1988* (compared to 59 percent of all eligible individuals).

Historically, households eligible for relatively low benefits and households that contain elderly members and wage earners have participated in the FSP at lower-than-average rates. In this light, it is less surprising that so few of those made eligible by the FSA had joined the FSP in the year and a half between the 1986 implementation of FSA changes and January 1988. Economic expansions from 1986 to 1988--and the accompanying reductions in the unemployment and poverty rates--may also have created an environment in which those eligible for small benefits were less inclined than usual to seek public assistance.

OVERALL EFFECTS OF RESPONSES TO THE FOOD SECURITY ACT

The increase in eligibles brought about by the FSA has had a series of consequences. ultimately

- Since the program participation rates reflect the ratio of participants to eligibles, the increase in the number of eligibles combined with the lack of change in the number of participants reduced the overall participation rates for January 1988. The following table summarizes the actual participation rates in August 1985 and January 1988 and the expected rates in January 1988 had pre-FSA program rules still been in effect.

	August 1985 Actual	January 1988 Actual	January 1988 Pre-FSA
Individuals	64%	59%	63%
Households	59%	56%	60%

Nearly all of the decline in the Food Stamp Program participation rates can be attributed to low participation among those made newly eligible under the FSA. The rates in January 1988 would have been almost the same as those in August 1985 if pre-FSA program rules had been in effect in 1988.

CONCLUSION

The decline in FSP participation rates resulting from the Food Security Act of 1985 demonstrates how sensitive program participation rates are to participation among newly eligible groups. However, since participation among new eligibles also varies over time, it is important to realize that the 1985-1988 drop in participation rates may stabilize or reverse in the future. The number of FSP participants has been climbing steadily since the spring of 1989, and there were over six million more people receiving food stamps in December 1991 than in January 1988. If these new participants are coming from the pool of previously nonparticipating eligibles, participation rates will rise. The Food and Nutrition Service expects to have participation rates for this critical time of expanded caseloads by late 1993.

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EXECUTIVE SUMMARY

Policymakers are concerned about the extent to which the Food Stamp Program (FSP) serves its target population, as well as which subgroups are more or less likely to participate in the program. This report is the third in a series of reports that provides estimates of FSP participation, and is based on more accurate data on eligibles and participants than have previously been available. It is also the first report following the enactment and implementation of the Food Security Act of 1985, which was the first in a series of recent legislative actions which expanded eligibility for the FSP.¹

The FSP participation rate is the ratio of the number of persons (or households) who participate in the FSP (or the actual benefits paid to participants) to the number of persons (or households) who are eligible for the program (or the total benefits payable if all eligible households participated). The estimates presented in this paper indicate that in the 50 states and the District of Columbia in January 1988--

- 59 percent of the eligible individuals participated in the FSP.
- 56 percent of the eligible households participated in the program.
- Participating households received 67 percent of the benefits payable had all eligible households participated.

COMPARISON OF JANUARY 1988 AND AUGUST 1985 PARTICIPATION RATES

Participation rates declined slightly between 1985 and 1988 due to the lack of an immediate response to the more generous eligibility criteria introduced under the 1985 Food Security Act (FSA), implemented in May 1986. As shown in the following table, the FSA accounts for almost all of the decline in participation rates among persons and households. In the absence of the FSA, the January 1988 household participation rate would have been almost identical to the August 1985 rate (59.8 percent compared with 59.4 percent).² The more generous eligibility criteria increased the number of total eligible households by 7 percent, but increased the number of participating households only by less than 1 percent. Hence, the participation rate among the newly eligible households was very low--only 6 percent, compared with a participation rate of 56 percent among all eligible households.

¹The other legislation that expanded FSP eligibility includes the 1987 Stewart McKinney Homeless Assistance Act (PL 100-77), the 1988 Hunger Prevention Act (PL 100-435), and the Food, Agriculture, Conservation, and Trade Act of 1990 (FACT). These program changes affected a relatively small group of households.

²Similarly, the individual participation rate would also have been almost identical (63 percent in January 1988 under pre-FSA rules, compared with 64 percent in August 1985), and the benefit rate would have been much closer under the pre-FSA rules (71 percent, compared with 75 percent).

IMPACT OF THE 1985 FOOD SECURITY ACT ON FSP PARTICIPATION RATES IN JANUARY 1988

	Participation Rates (Percent)			January 1988 Implicit Rate Among Newly Eligible
	January 1988 (Actual)	January 1988 (Simulated Pre-FSA)	August 1985 (Actual)	
Individuals	59.0%	62.5%	64.3%	6.6%
Households	56.0	59.8	59.4	6.1
Benefits	66.7	70.7	75.3	6.9

Similarly, the participation rate among newly eligible persons and among benefits to newly eligible households was only 7 percent. Therefore, the FSA legislation expanded eligibility for the FSP, but most of those who became eligible did not participate, thus lowering participation rates overall.

The provisions of the FSA that affected the greatest number of households were those that raised the asset limits, particularly for households that contained single elderly persons. About 40 percent of the newly eligible households were comprised of single elderly persons (only 21 percent of all eligible households contained single elderly persons). Thus, participation rates among households containing elderly and single persons declined more than among other groups. However, in the absence of the FSA, participation rates among these and many other subgroups of the eligible population would have increased or remained about the same as in 1985.

Changes in Participation since 1988

FSP caseload data show that participation in the FSP has risen substantially since 1988, beginning in the third quarter of fiscal year 1989 (FY89.3). Between FY89.2 and FY90.2, participation in the FSP increased by over 1 million persons. Since FY90.2, participation has continued to rise, reaching 25 million in December 1991. If forthcoming data show that the subsequent increase in the number of eligibles is less than the observed increase in the number of participants since 1988, then the participation rate will rise.

ESTIMATES OF PARTICIPATION RATES BY SELECTED DEMOGRAPHIC CHARACTERISTICS

The January 1988 participation-rate estimates vary considerably across selected demographic groups:

- Regardless of the participation measure used (individual, household, or benefit), preschool children and school-age children participated at higher-than-average rates. For example, the individual rates were 75 percent for preschoolers and 67 percent for school children. The benefit rate for households with school children was 71 percent, compared with an overall benefit rate of 67 percent.
- However, among the elderly, only 34 percent of eligible individuals participated, although the rate was higher among those who lived alone (38 percent), and was still higher among those who received Supplemental Security Income (SSI) (70 percent).
- Among the disabled, 55 percent of the eligible individuals and eligible households participated, receiving 59 percent of the benefits payable had participation been 100 percent.
- Among households headed by a single woman with children, approximately 76 percent participated.
- Households headed by black, non-Hispanic individuals participated at a much higher rate (76 percent) than households headed by white, non-Hispanic individuals (47 percent) or Hispanic individuals (54 percent).

ESTIMATES OF PARTICIPATION RATES BY SELECTED ECONOMIC CHARACTERISTICS

The January 1988 participation-rate estimates also vary among eligible individuals and households with different economic characteristics:

- Participation rates generally varied inversely with income. That is, participation rates declined as income rose. Individuals and households in poverty participated at considerably higher rates (72 percent and 70 percent, respectively) than individuals and households overall (59 percent and 56 percent, respectively).
- Participation rates were greater among those who were eligible for larger benefits; the household rates ranged from 30 percent for monthly benefits of 1 percent to 25 percent of the maximum allotment to 91 percent for monthly benefits of 76 percent to 99 percent of the maximum allotment.
- Households with earnings had a lower-than-average participation rate (34 percent), whereas households that received SSI or public assistance participated at higher-than-average rates (75 and 111 percent, respectively).³

³The greater than 100 percent figure among public assistance recipients is due to measurement and sampling errors in the data.

THE CHARACTERISTICS OF ELIGIBLE NONPARTICIPANTS

Approximately 5.4 million of the 12.3 million households eligible for food stamps did not participate in the program. These households comprised 12.7 million persons eligible for \$445 million in benefits. About half of the eligible nonparticipants had an income above the poverty line; 43 percent were eligible for a monthly benefit of 1 to 25 percent of the maximum allotment. The nonparticipants comprised roughly four equal groups: households with elderly persons, both above and below the poverty line, and households with workers, both above and below the poverty line. Elderly nonparticipating households tended to consist of a single individual, while nonelderly nonparticipating households tended to consist of the working poor with children. Most of the persons in eligible nonparticipating households with incomes above poverty were eligible for small monthly benefits (\$17 on average in January 1988), and, hence, their lack of participation is not surprising.

I. INTRODUCTION

The Food Stamp Program (FSP) provides assistance to low-income households to help them buy the food they need to obtain a nutritious diet. A food stamp household is generally defined as a person who lives alone, or as a group of persons who live together and share food purchases and meal preparation and whose monthly income and assets fall below specified limits. The assistance is provided in the form of coupons that can be redeemed for food purchases. The amount of the coupons is based on the size and income of the household.

Not all households eligible for food stamps participate in the program. The literature on the program suggests a variety of reasons for nonparticipation.¹ Some persons may be unaware of the program, while others may presume that they are not eligible for benefits. Other persons may be aware of the program and their own eligibility for it, but feel that the benefits are not worth the effort required to obtain and use them. Still others may not participate due to the stigma they associate with using food stamps.

Obviously, since some eligible households do not apply for benefits, the FSP is not serving the entire population targeted by the legislation that established the program. Indeed, according to conceptual models of the decision to participate in the program, participation should not be expected to be universal (see Allin and Beebout, 1989). But even if participation will never be universal, the Congress and other policymakers are interested in the proportion and characteristics of the eligible population that does participate in the program. They are also interested in the subgroups of the target population that are most likely to participate in the program, as well as in the characteristics of persons who are eligible for but do not participate in the program.

This paper is the seventh in a series that have examined current issues on FSP participation. It is the third that provides estimates of rates of participation in the FSP, both among the total eligible

¹Allin and Beebout (1989) review the literature.

population and among selected subgroups of that population that are of particular interest to policymakers.² It is the first paper in the series to examine the influence of the 1985 Food Security Act (FSA) on participation rates. The 1985 FSA was the first and the most major of a number of legislative changes that expanded eligibility and increased benefits under the FSP in the late 1980s and early 1990s. Other expansive changes included the 1987 Stewart McKinney Homeless Assistance Act (PL 100-77), the 1988 Hunger Prevention Act (PL 100-435), and the Food, Agriculture, Conservation, and Trade Act of 1990 (FACT).

This paper finds that the lack of response to the more generous eligibility criteria of the 1985 FSA, implemented in May 1986, caused a downward shift in participation rates between 1985 and 1988. Only a small proportion (6 percent) of the newly eligible households chose to apply for and participate in the program. In the absence of the FSA, overall participation rates in 1988 would have been almost the same as in 1985. In fact, among many subgroups of the eligible population, participation rates would be even higher in 1988 than in 1985 in the absence of the FSA.

The estimates in this series of papers are more accurate than most previous ones, primarily because the estimates of eligibles in this series are based on the Survey of Income and Program Participation (SIPP).³ Because eligibility for the FSP cannot be observed directly, the denominator of the participation rate (the total number of program eligibles or total potential benefits) must be approximated on the basis of household survey data. Relative to the household surveys used in previous research, such as the Current Population Survey (CPS), SIPP contains a greater amount of and more detailed information on the household characteristics that FSP administrators must consider

²The first two papers provided estimates of participation rates for August 1984 (Doyle and Beebout, 1988) and August 1985 (Doyle, 1990). Due to the substantial methodological improvements made to the estimation procedures since the August 1984 rates, only the August 1985 and the January 1988 rates are strictly comparable.

³Trippe (1989) reviews the literature on FSP participation rates and estimation techniques.

when making actual eligibility determinations.⁴ For example, SIPP contains information on monthly (as opposed to annual) income, monthly household composition, most of the expenses used to calculate deductions from income, and vehicular assets, thereby significantly advancing our ability to approximate eligibility status with survey data.

Data for the numerator of the overall participation rate (the number of program participants or total benefits paid) were derived from the Food Stamp Program Statistical Summary of Operations (hereafter referred to as Program Operations data) and were adjusted to account for benefits issued in error in January 1988.⁵ These administrative data are more accurate than the self-reported survey data used in some previous studies of FSP participation, because research indicates that food stamp receipt is substantially underreported in household survey data. Because the numerators of the ratios reported herein are based on administrative counts, they are more reliable estimates of the number of actual participants and the amount of benefits paid. However, Program Operations data do not contain information on subgroups of the participating population. Estimates for these groups were calculated from a sample of food stamp case records from the Integrated Quality Control System (IQCS) of the U.S. Department of Agriculture.⁶

Although our SIPP-based estimates represent an improvement over previous results, they are not without their own sampling and measurement limitations. In particular, the underreporting of public assistance income and receipt common to all household surveys yields unrealistic estimates of food stamp participation rates among public assistance households. Furthermore, the survey does not provide all of the information necessary to determine the food-stamp-eligible unit precisely in all

⁴The exception to this comparison is the 1979 Income Survey Development Program Research Test Panel (ISDP), the precursor to SIPP.

⁵The Food Stamp Program Statistical Summary of Operations is a monthly record of benefits issued and the caseload served by the Food Stamp Program.

⁶The IQCS is a system of ongoing case record reviews designed to measure payment error rates in the Food Stamp, Aid to Families with Dependent Children (AFDC), and Medicaid programs. The IQCS is based on monthly probability samples drawn from all 50 states and the District of Columbia; this study uses active cases in the January/February 1988 samples.

households. Finally, a number of persons who reported SSI receipt in SIPP appeared to be ineligible for SSI due to high income or assets, causing potential problems in the estimate of pure SSI households who are automatically eligible for the FSP under the provisions of the 1985 FSA. In short, although this analysis represents a considerable improvement over most previous efforts, perfect statistics on the FSP-eligible population or on subgroups that participate in the program are unattainable. Further research can reduce, but not eliminate, the uncertainties in estimation.

The remainder of this report is organized as follows. Chapter II summarizes the methodology and data used to estimate participation rates. Chapter III presents the overall participation rates for January 1988, the rates disaggregated by selected demographic and economic characteristics, and the characteristics of those eligibles who did not participate. Chapter IV compares the January 1988 participation rates with the August 1985 participation rates provided in Doyle (1990), and assesses the impact of the 1985 Food Security Act (FSA) on participation rates. The Appendix describes the technical procedures used to compute participation rates and to assess the impact of the 1985 FSA on participation rates.

II. METHODOLOGY AND DATA

This describes our methodology for constructing the January 1988 FSP participation rates. Three rates are introduced and defined, followed by a discussion of how they are computed. The latter discussion also describes the criteria that FSP administrators use to make eligibility and benefit determinations, as well as the model of those criteria that we used to estimate the number of eligibles with SIPP data.

A. THREE ALTERNATIVE MEASURES OF FSP PARTICIPATION

No single measure of participation can adequately answer all the questions that policymakers have about FSP participation. The three measures discussed in the literature--the individual rate, the household rate, and the benefit rate--differ in terms of their magnitude and their advantages and limitations for answering a given question. Here, we define each measure, specify its potential usefulness, and explain its application in previous studies.

1. The Individual Participation Rate

The individual participation rate is a ratio of the number of persons participating in the FSP to the number of persons eligible for the program. Policy discussions about FSP participation rates often rely on research results based on the individual rate, whereas discussions about participation behavior usually rely on a model of the household as the decision-making unit. In some instances, the individual rate may be preferable to the household rate, especially for answering questions about the participation of a particular subgroup of the target population. For example, the proportion of eligible elderly individuals who participate in the FSP is a better indication of the behavioral patterns of the elderly than is the proportion of eligible households that contain an elderly member who participates.

2. The Household Participation Rate

The household participation rate is the ratio of the number of food stamp units, or households, that participate in the program to the number of households eligible for the program. As just noted, analyses of participation behavior tend to rely on this rate because they assume that the household is the decision-making unit. The definition of the household as the decision-making unit is derived from program rules that determine eligibility and benefits for households, not for individuals. The household rate can differ significantly from the individual rate because larger households are more likely than one-person households to participate in the FSP.

3. The Benefit Rate

The benefit rate is the ratio of the benefits paid to program participants to the total potential benefits payable if all program eligibles participated. Although it has not been used extensively in previous research, the benefit rate may be the best overall measure of how well the FSP is meeting the target population's need for assistance. The benefit-rate estimates reported herein are generally higher than the individual- and household-rate estimates, indicating that households with higher benefit levels, and thus greater need, are more likely to participate than households with lower benefit levels.

B. ESTIMATION OF PARTICIPATION RATES

We used administrative data derived from three sources to estimate the numerators in the participation rate ratios (as described in the Appendix). The first source is the Program Operations data, which provided the number of persons and households that were issued benefits in January 1988 and the total dollar value of the coupons issued. We adjusted these data to eliminate ineligible participants and erroneous benefits as determined from the IQCS. Finally, we distributed the adjusted total number of participating households and persons and their benefits across various

demographic and economic characteristics according to information derived from a sample of case records active in January and February 1988.¹

We used the procedures outlined in the Appendix to develop estimates of the denominators of the participation rate ratios from SIPP. In essence, a model of the food stamp eligibility criteria determined which SIPP respondents belonged in the sample of program eligibles. This model relied on a simulation procedure whereby we quantified program rules and applied them to each dwelling unit in the SIPP sample in January 1988. For units determined to be eligible via this simulation, we estimated their composition and potential benefits. Below, we summarize the criteria that program administrators use to determine eligibility and benefits.

Eligibility for the FSP is based on a series of rules that define the applicant's need, which is deemed to be a function of available cash income conditional on unit (household) size, as well as the assets accessible to the unit.² The determination of need for each household that applies for FSP benefits can be disaggregated into four distinct components: (1) income limits, (2) asset limits, (3) nonfinancial standards, and (4) benefit levels. The parameters of each of these components vary over time with cost-of-living adjustments and legislated changes in the program. This analysis relies on the FSP criteria in existence in January 1988, the month corresponding to the administrative and SIPP data used.

The income test comprises two parts: a net income and a gross income screen. Under the net income screen, the monthly gross income net of allowable expenses must fall below the monthly federal poverty guidelines, which vary by household size and geographic location.³ Under the gross

¹This sample of cases was developed in the process of preparing an annual report on the characteristics of food stamp households (U.S. Department of Agriculture, 1990).

²The discussion that follows is an overview of the regulations that govern FSP eligibility and benefits. The complete regulations appear in the *Code of Federal Regulations* (7 CFR parts 270-273). Doyle and Beebout (1988) provide more in-depth summary of those regulations.

³The income limits are based on the official monthly poverty guidelines published by the U.S. Department of Health and Human Services (DHHS), which are adjusted each year to account for (continued...)

income screen, food stamp units that do not contain elderly or disabled members must also have gross incomes below 130 percent of the same poverty guidelines. In January 1988, the program measured gross income, all cash income received by members of the food stamp household excluding the earnings of students under age 18, loans, nonrecurring lump-sum payments, and reimbursements for certain expenses. Net income was defined as gross income less a standard deduction, an earnings deduction, and deductions for expenses incurred for child care, medical, and shelter costs.⁴

Two different asset limits are imposed. In 1988, a food stamp household could have countable assets (or "resources," as they are called in the administration of the program) of \$2,000 or less and remain eligible for benefits. If the household contained an elderly person, the asset limit was \$3,000. Selected pieces of property, such as the principal home, adjacent land, most household goods, and vehicles necessary for producing income or for transporting disabled individuals, are not considered countable resources, but all other financial and nonfinancial assets are generally included. In most instances, assets are counted at their fair market value as long as they are accessible to at least one member of the food stamp household. The principal exception is the treatment of vehicular assets.⁵

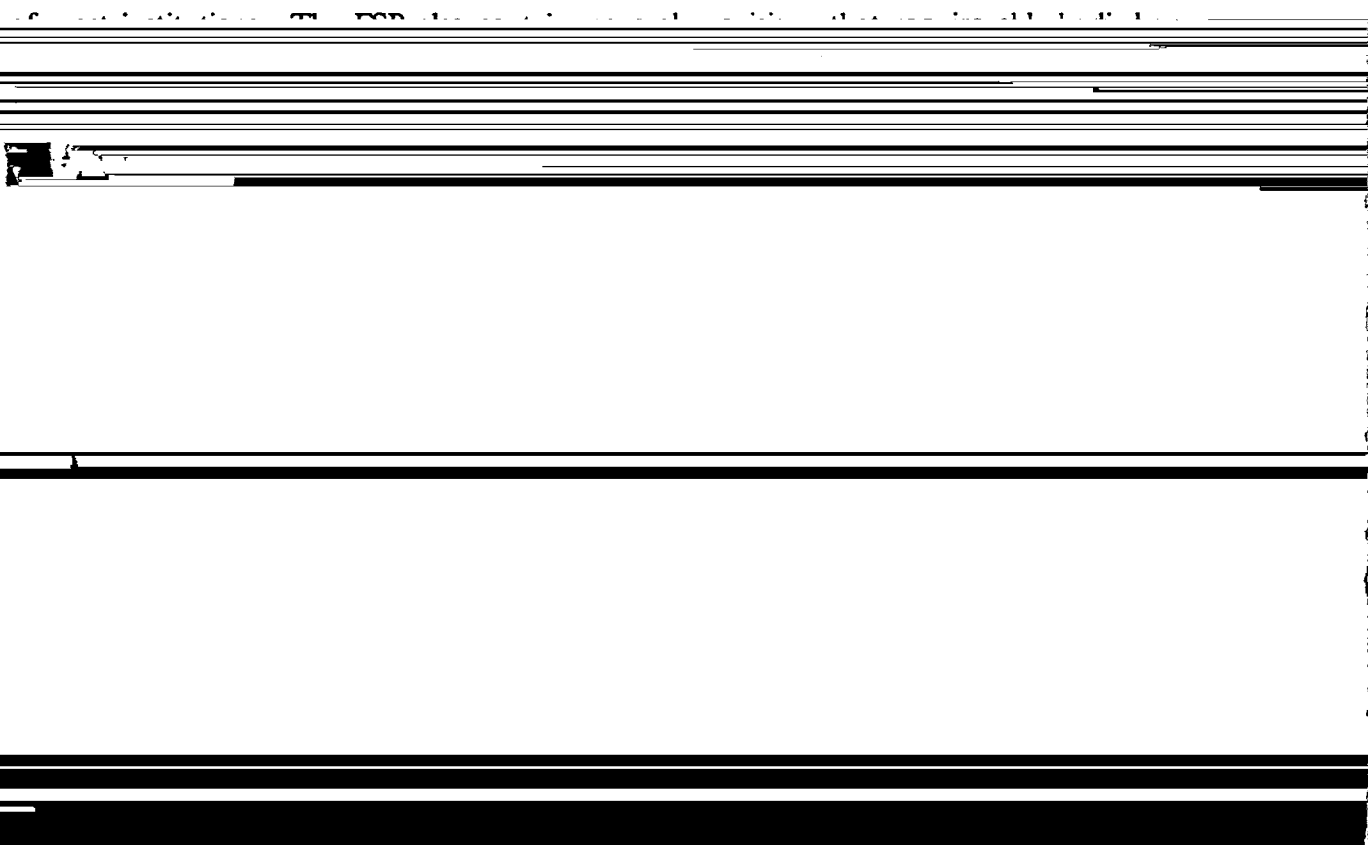
Nonfinancial eligibility standards include the definition of the program unit and the characteristics of the unit (such as the presence of an elderly member) that affect eligibility. In general, food stamp benefits are issued to "households," but aspects of the program unit definition distinguish the term

³(...continued)
inflation. The income guidelines and other FSP parameters are generally the same for the 48 contiguous states and the District of Columbia and vary slightly for Alaska and Hawaii and the territories.

⁴The medical deduction is allowed only for medical expenses incurred by elderly or disabled members of the household.

⁵Vehicles required for work-related travel, and one additional vehicle owned by members of the food stamp household, are valued at the current Blue Book value, and only the amount that exceeds \$4,500 is considered to be an available resource. Any remaining vehicles owned by members of the household are subject to both a market-value test and an equity test. The maximum of market value, less \$4,500, and the equity is counted towards the household's assets.

from the Bureau of the Census' designation--namely, a group of individuals who share living quarters.⁶ The food stamp household consists of a person who lives alone, or persons who live together and share food purchases and meal preparation, with some exceptions for households that contain elderly individuals who are unable to prepare their own meals. Restrictions are imposed on the food stamp household to prevent spouses, siblings, and parents with children under age 18 from forming separate units within a dwelling unit even if they purchase and prepare meals separately.⁷ Furthermore, selected individuals within a dwelling unit are excluded from FSP participation. They include illegal aliens, persons who refuse to comply with work registration requirements, strikers, and



adults to work, seek training in preparation for work, or look for work. Individuals not exempt from these work registration requirements are prohibited from participating in the program if they refuse

III. RESULTS

Almost 7 million households in the 50 states and the District of Columbia participated in the Food Stamp Program in January 1988 (Table III.1). Based on the estimates prepared from SIPP, 12.3 million households were eligible for the program in that same month. Thus, the overall household participation rate was 56 percent. The overall individual rate was higher: 18.3 million individuals of 31.0 million eligible individuals, or 59 percent, participated in the FSP.

The estimates indicate that approximately \$1.33 billion in coupons would have been issued to food stamp participants had the participation rate in January 1988 been 100 percent. The FSP issued 67 percent of those benefits. This percentage is consistent with the finding (shown later) that households entitled to higher benefits participated at higher rates than those entitled to lower benefits.

The fact that the benefit rate was higher than the individual rate, which in turn was higher than the household rate, implies that, in addition to other factors, both the size of the household and its potential benefit influence the decision to participate. The influence of household size and other demographic characteristics on the tendency to apply for benefits is outlined in Section A; the influence of potential benefits and other economic characteristics is discussed in Section B. Section C discusses the characteristics of eligible households that did not participate in the FSP in January 1988.

A. PARTICIPATION RATES BY SELECTED DEMOGRAPHIC CHARACTERISTICS

Table III.2 presents household participation rates disaggregated by the size of the eligible household. Most eligible households are relatively small, as are most participating households. Yet the participation rate tended to be higher for larger households, with single-person households participating at a substantially lower rate (45 percent) than all eligible households (56 percent).

TABLE III.1
INDIVIDUAL, HOUSEHOLD, AND BENEFIT
PARTICIPATION RATES: JANUARY 1988

	Participants	Eligibles	Participation Rate
Individuals (1,000)	18,286	30,973	59.0%
Households (1,000)	6,882	12,292	56.0
Benefits (1,000)	\$890,158	\$1,334,779	66.7
Average Household Size	2.7	2.5	
Average per-Capita Benefit	\$48.7	\$43.1	

SOURCES: Counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

TABLE III.2
HOUSEHOLD PARTICIPATION RATES BY
HOUSEHOLD SIZE: JANUARY 1988

Household Size (number of persons)	Number of Participating Households (1,000)	Number of Eligible Households (1,000)	Household Participation Rate
1	2,188	4,867	45.0%
2	1,478	2,421	61.1
3	1,291	1,913	67.5
4	941	1,435	65.6
5	520	809	64.3
6+	463	847	54.6
Total	6,882	12,292	56.0

SOURCES: Counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

Other research supports the finding that FSP participation generally increases with the size of the eligible household. For example, Allin and Martini (forthcoming) used the August 1985 SIPP to perform a multivariate analysis of the relationship between household characteristics and FSP participation, and found a 20 percentage point increase in predicted participation rates between one- and three-person households in August 1985.¹

Table III.3 presents individual participation rates disaggregated by selected demographic characteristics. The table shows that the FSP was serving a large majority of children in eligible households in January 1988. Three-fourths of eligible preschool children (that is, children under age 5) resided in households that participated in the program. Among school-age children, this rate was 67 percent. Females participated at a slightly higher rate than males (60 percent versus 58 percent).

The participation rate for elderly individuals (34 percent) was much lower than both the overall rate for individuals (59 percent) and the rate for adults ages 18 to 59 (57 percent). The participation rate for disabled individuals (55 percent) was slightly lower than the overall rate for eligible individuals and adults. Allin and Martini found similar results among elderly in the multivariate analysis: the participation rate for households that contained elderly persons was 14 percentage points lower than the overall rate for households. However, they found the participation rate for households that contained disabled members was 12 percentage points higher than the overall rate for households.

Among elderly and disabled persons, participation rates are higher for those who live alone (38 percent and 69 percent) than for those who live with others (27 percent and 49 percent). The higher participation rates for elderly who live alone is surprising, given that overall participation rates for all single-person households are lower than average. This finding may suggest that elderly and

¹Allin and Martini conducted multivariate analyses of the relationship between the demographic and economic characteristics of households and FSP participation. They present participation rates computed two ways: predicted participation rates, computed on the basis of the coefficients of the participation equation with August 1985 SIPP; and univariate participation rates, computed as the number of self-reporting participating households divided by the estimated number of eligible households from the August 1985 SIPP.

TABLE III.3
INDIVIDUAL PARTICIPATION RATES BY SELECTED
DEMOGRAPHIC CHARACTERISTICS: JANUARY 1988

	Number of Participating Individuals (1,000)	Number of Eligible Individuals (1,000)	Individual Participation Rate
Elderly Age 60 or Older	1,516	4,524	33.5%
Living alone	1,009	2,626	38.4
Living with others	507	1,897	26.7
Disabled under Age 60	657	1,187	55.3
Living alone	253	368	68.6
Living with others	404	819	49.4
Children under Age 18	9,298	13,375	69.5
Preschool	3,126	4,176	74.8
School-age	6,172	9,199	67.1
Adults Ages 18 to 59	7,439	13,073	56.9
Living alone (not disabled)	909	1,347	67.5
Gender			
Male	7,468	12,851	58.1
Female	10,802	18,121	59.6
Total	18,286	30,972	59.0

SOURCES: Counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

disabled persons who live with others have greater access to outside resources that reduce their likelihood of participating. This finding is consistent with SSI participation rates among elderly individuals eligible for SSI that were derived from March 1988 CPS data, but contradicts the results based on 1985 SIPP data. Based on March 1988 CPS data, Shiels et al. (1990) found that elderly individuals who live independently were more than twice as likely as elderly who lived in the home of others to participate in the SSI program (56 percent versus 25 percent). However, based on 1985 SIPP, they found that the participation rate among elderly individuals who lived alone was lower than among those who lived in the home of others (50 percent versus 81 percent).

Although the FSP participation rate among elderly who live alone is higher than among elderly who live with others, the rate among the elderly who live alone (38 percent) is substantially lower than the rate among the total population of eligibles who live alone (45 percent), as shown in Tables III.2 and III.3. Allin and Martini examined which of the two effects--living alone or being elderly--was the more important determinant of the low participation rate among elderly who live alone. When they separated the two effects, they found that living alone had the larger effect. But being elderly still had a large effect on the rate. Hence, persons who live alone have a low propensity to participate in the FSP, independent of whether they are elderly. To a lesser extent, persons who are elderly, independent of the number of persons with whom they live, have a low propensity to participate in the FSP.

Table III.4 presents household participation rates by selected demographic characteristics. These rates also show that households containing elderly or disabled persons are less likely to participate in the program than average. Only 35 percent of the eligible households that contained an elderly member participated, and 55 percent of the households that contained a disabled member participated. Among households with children, the participation rate was 71 percent, which is much higher than the overall household rate (56 percent). The participation rate among single male-headed food stamp households with children (56 percent) was considerably lower than the partici-

TABLE III.4
HOUSEHOLD PARTICIPATION RATES BY SELECTED
DEMOGRAPHIC CHARACTERISTICS: JANUARY 1988

Household Contains	Number of Participating Households (1,000)	Number of Eligible Households (1,000)	Household Participation Rate
Elderly Age 60 or Older	1,395	3,989	35.0%
Disabled under Age 60	625	1,132	55.2
Children under Age 18	4,215	5,909	71.3
Children Ages 5 to 17	3,225	4,719	68.3
Single Female Adult with Children	2,524	3,342	75.5
Single Male Adult with Children	120	216	55.8
Two or More Adults with Children ^a	1,570	2,351	66.8
White non-Hispanic Head	3,286	7,014	46.9
Black non-Hispanic Head	2,527	3,325	76.0
Hispanic Head	886	1,633	54.2
Total	6,882	12,292	56.0

SOURCES: Counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

^aIncludes both households in which the gender of the household head is unknown and female-headed households that contain two or more adults.

pation rate among single female-headed and two-parent households with children (76 and 67 percent, respectively). However, it should be noted that the single male-headed rate is based on a relatively small sample.

Food stamp participation rates vary considerably by race and ethnicity. More than three-fourths of the eligible households headed by a black, non-Hispanic individual participated in the FSP in January 1988, compared with only 47 percent of the eligible households headed by a white, non-Hispanic individual. Hispanic households participated at a rate of 54 percent.

Allin and Martini's multivariate participation rates showed a much smaller gap (5 percentage points) between black and white households, and showed almost no gap between Hispanic and white households. Thus, holding other household characteristics (such as income) constant generates smaller differences in participation rates by race and ethnicity than are indicated in Table III.4.

Most of the benefit rates shown in Table III.5 are greater than the corresponding household rates in Table III.4, implying that, within most subgroups, households that are eligible for higher benefits (needier households) participate at higher rates than do households eligible for lower benefits (less needy households). The benefit rates were substantially higher than the household rates for the following groups:

- Households that contain an elderly member (5 percentage points higher than the household rate for the elderly)
- Households that contain two or more adults with children (9 percentage points higher than the corresponding household rate)
- Households headed by white non-Hispanics (13 percentage points higher than the corresponding household rate)

In addition to implying that the FSP is serving needier households, these differences in the benefit and household rates imply that benefit levels have a greater influence on the participation decisions of households that contain elderly members, two parents with children, and white non-Hispanic heads than they do on the decisions of other households.

TABLE III.5
BENEFIT RATES BY SELECTED DEMOGRAPHIC
CHARACTERISTICS OF THE HOUSEHOLD:
JANUARY 1988

Household Contains	Benefits Paid to Participating Households (1,000,000)	Potential Benefits for Eligible Households (1,000,000)	Benefit Rate
Elderly Age 60 or Older	\$71.1	\$177.7	40.0%
Disabled under Age 60	57.8	98.6	58.6
Children under Age 18	732.9	998.4	73.4
Children Ages 5 to 17	591.9	831.6	71.2
Single Female Adult with Children	402.6	556.9	72.3
Single Male Adult with Children	16.8	29.8	56.4
Two or More Adults with Children ^a	313.5	411.6	76.2
White non-Hispanic Head	393.4	656.8	59.9
Black non-Hispanic Head	338.7	412.1	82.2
Hispanic Head	131.4	220.0	59.7
Total	890.2	1,334.7	66.7

SOURCES: Counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

^aIncludes both households in which the gender of the household head is unknown and female-headed households that contain two or more adults. Benefit rates were almost identical to household rates for single female-headed and male-headed households.

The benefit rate was lower than the household rate only for one group: households that contain a single female adult with children (3 percentage points lower). However, this finding is not unexpected, because the decision of many of these single-female-parent families to participate in the FSP may be made jointly with or secondarily to their decision to participate in the AFDC program. Hence, they would participate in the FSP regardless of their expected food stamp benefit. Moreover, households in which all members receive AFDC are automatically eligible for food stamps.

B. PARTICIPATION RATES BY SELECTED ECONOMIC CHARACTERISTICS

Table III.6 presents household participation rates disaggregated by the level of potential benefits as a percentage of the maximum allotment. The estimates support research which shows that the decision to participate in the FSP is influenced by the level of benefits for which a household is eligible.² In January 1988, households eligible for the smallest benefits (benefits of between 1 percent and 25 percent of the maximum allotment) had the lowest participation rate (30 percent). In general, participation rates increased as potential benefits rose, reaching 91 percent for households eligible for benefits of 76 percent to 99 percent of the maximum. The exception to this pattern is a decline in the rate for households entitled to the maximum benefit allotment. This group of households eligible for the maximum benefit includes a large proportion of households with zero income--a group that may be subject to measurement or classification problems, as discussed below.

Table III.7 shows that eligible individuals in households whose income was below the poverty level participated in the program at much higher rates (72 percent) than did individuals who lived in households whose income was above the poverty level (19 percent). Similarly, 70 percent of households in poverty participated, receiving 72 percent of the benefits which would have been issued had all poor households participated (Tables III.8 and III.9).

²Allin and Beebout (1989) review the research on the relationship between benefit levels and FSP participation.

TABLE III.6
HOUSEHOLD PARTICIPATION RATES BY MONTHLY BENEFITS
AS A PERCENTAGE OF THE MAXIMUM FSP ALLOTMENT:
JANUARY 1988

Monthly Benefit Level as a Percentage of Maximum Allotment	Number of Participating Households (1,000)	Number of Eligible Households (1,000)	Household Participation Rate
1-25%	993	3,324	29.9%
26-50	1,355	2,203	61.5
51-75	1,808	2,631	68.7
76-99	1,436	1,578	91.0
100	1,290	2,555	50.5
Total	6,882	12,292	56.0

SOURCES: Counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

TABLE III.7

INDIVIDUAL PARTICIPATION RATES BY THE
RATIO OF THE GROSS INCOME OF THE INDIVIDUAL'S FOOD
STAMP UNIT TO THE MONTHLY FEDERAL POVERTY LEVEL:
JANUARY 1988

Income as a Percentage of Poverty	Number of Participating Individuals (1,000)	Number of Eligible Individuals (1,000)	Individual Participation Rate
Total \leq 100	16,843	23,510	71.6%
0	1,007	1,418	71.0
1-50	6,110	7,891	77.4
51-100	9,725	14,201	68.5
Total > 100	1,443	7,463	19.3
Total	18,286	30,973	59.0

SOURCES: Counts for participants were derived from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

TABLE III.8

HOUSEHOLD PARTICIPATION RATES BY THE RATIO OF THE
GROSS INCOME OF THE FOOD STAMP UNIT TO THE MONTHLY
FEDERAL POVERTY LEVEL: JANUARY 1988

Income as a Percentage of Poverty	Number of Participating Households (1,000)	Number of Eligible Households (1,000)	Household Participation Rate
Total \leq 100	6,333	9,022	70.2%
0	477	682	70.0
1-50	2,020	2,574	78.5
51-100	3,836	5,766	66.5
Total > 100	549	3,270	16.8
Total	6,882	12,292	56.0

SOURCES: Counts for participants were derived from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

TABLE III.9

BENEFIT RATES BY THE RATIO OF THE GROSS INCOME OF THE
FOOD STAMP UNIT TO THE MONTHLY FEDERAL POVERTY LEVEL:
JANUARY 1988

Income as a Percentage of Poverty	Benefits Paid to Participating Households (1,000,000)	Potential Benefits for Eligible Households (1,000,000)	Benefit Rate
Total \leq 100	\$864.3	\$1,205.7	71.7%
0	78.6	109.3	72.0
1-50	400.1	514.1	77.8
51-100	385.6	582.3	66.2
Total > 100	25.9	129.1	20.0
Total	890.2	1,334.8	66.7

SOURCES: Counts for participants were derived from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

All three rates (individuals, households, and benefits) were 77 to 79 percent for households whose income was between 1 and 50 percent of the poverty level, and declined rapidly as income increased, reaching a low of 17 to 20 percent among households whose incomes were above the poverty level. Households and persons in the highest-income class were eligible only for small amounts of assistance; thus, their low participation rate is not surprising. Persons in eligible households whose incomes were above the poverty level were eligible for \$17 on average in January 1988, while persons in households whose incomes were below the poverty level were eligible for \$51 on average. Studies of participation rates in other programs, such as SSI, have also found that participation rates decline as family income increases. For example, Shiels et al. (1990) found that based on 1985 SIPP, the rate of participation among elderly persons eligible for SSI declined to a low of about 26 percent for those whose monthly countable income was \$500 or more.

Individuals in eligible households that did not receive cash income participated at a rate of 71 percent. Similarly, households that did not receive any income participated at a rate of 70 percent, and their benefit rate was 72 percent.

A priori, one would expect that households that do not receive any income would participate at the highest rates. Table III.8 shows that participation among the zero-income households is 9 percentage points lower than the rate among households whose income is between 1 and 50 percent of the poverty level (but 14 percentage points higher than the average rate). Studies based on other surveys have also found unusually low rates among zero-income households. For example, Czajka (1981), using the 1979 Income Survey Development Program (ISDP), found that the univariate participation rate among zero-income households was 38 percentage points lower than the rate among households whose income was 1 to 50 percent of the poverty level (and 26 points lower than the average rate).

Allin and Martini's findings exhibited the same pattern. Using 1985 SIPP, Allin and Martini found that the univariate participation rate among zero-income households was 43 percentage points

below the rate among households whose income was between 1 and 50 percent of the poverty level (and 19 percentage points below the average). When they controlled for the effects of other characteristics, they found the same but less extreme pattern. The rate for zero-income households was 18 percentage points below the rate among households whose income was between 1 and 50 percent of the poverty level (and 4 percentage points below the average). Because no household can exist on zero income for a long period of time, and since studies have shown that measurement problems are prevalent in the zero-income group, the eligible units with zero income probably include households that are subject to some form of reporting or measurement error.³ Hence, the zero-income households are overrepresented, which biases the participation rate estimates downward. Another reason that participation rates are unusually low among this group is that some households may have zero income for a very short period of time (one or two months). During a short period of economic distress, households may be less likely to seek benefits because they may be able to draw on savings or receive help from friends or relatives.

Table III.10 presents household participation rates among those with earnings, SSI, public assistance, and unemployment compensation. The estimated participation rate for households with earnings is much lower than the overall rate (34 percent versus 56 percent). Recipients of unemployment compensation also participated at a lower rate (46 percent) than the total eligible population.

However, because the sample size for eligible households with unemployment compensation was small, the statistical reliability of these estimates is low.

³Selected studies have shown that households classified as zero income often represent measurement or classification problems rather than households with no source of economic support, and that is why they do not seem to behave in the expected manner. In a case-by-case study of families with annual reported income below \$500 in the March 1972 CPS, Burns (1974) found that although most had low incomes, approximately 70 percent represented some type of conceptual or measurement problem. For example, approximately 28 percent of the families or individuals represented special living arrangements, support for which was provided from outside the household.

TABLE III.10
HOUSEHOLD PARTICIPATION RATES BY SELECTED
SOURCES OF INCOME: JANUARY 1988

Source of Income	Number of Participating Households (1,000)	Number of Eligible Households (1,000)	Household Participation Rate
Earned Income	1,419	4,182	33.9%
SSI	1,431	1,910	75.0
Elderly in the unit	836	1,188	70.3
No elderly in the unit	596	722	82.6
Public Assistance ^a	3,448	3,120	110.5
AFDC	2,710	2,408	112.5
Other welfare	777	786	98.9
Unemployment Compensation	158	340	46.4
Total	6,882	12,292	56.0

SOURCES: Counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

^aPublic assistance refers to Aid to Families with Dependent Children (AFDC), General Assistance (GA), and local means-tested programs, such as Emergency Assistance.

The household participation rate for food stamp households that received SSI payments--75 percent--exceeded the overall participation rate by 19 percentage points. Households in both the numerator and the denominator of this participation rate exclude persons who receive SSI in cashout states, in which cash is issued through the SSI program in lieu of food stamps.

Households that received SSI income and contained elderly persons participated in the FSP at a much higher rate--70 percent--than all households with elderly (35 percent, from Table 4).⁴ The higher FSP participation rate for SSI households that contain elderly persons may be due to the low participation rate of those who were not poor enough to qualify for SSI. Such individuals are also entitled to small food stamp benefits.

The estimates for households that receive public assistance, especially those that receive AFDC, exceeded 100 percent. These unrealistic rates are due primarily to the underreporting of AFDC receipt in SIPP (the number of AFDC recipients in SIPP was only 82 percent of an independent estimate derived from administrative data), as discussed in the Appendix.

Nonetheless, other multivariate analyses have found a strong positive relationship between participation in the FSP and participation in public assistance programs (see Allin and Martini, forthcoming; and Allin and Beebout, 1989). For example, Allin and Martini found that households that receive public assistance are almost three times more likely to participate in the FSP than households that do not.

C. THE CHARACTERISTICS OF ELIGIBLE NONPARTICIPANTS

The preceding sections focused on households that participated in the Food Stamp Program. This section focuses on households that were eligible for the FSP but did not participate.

⁴Shiels et al. (1990) estimated that the rate of SSI participation by elderly individuals eligible for the SSI program was 61 percent, based on 1985 SIPP data on eligibles and program data on the number of participants. This rate is considerably higher than the rate of FSP participation by elderly individuals eligible for food stamps (34 percent, from Table 3).

In January 1988, about 5.4 million of the 12.3 million households eligible for the FSP were not participating (see Table III.11). These households tended to have relatively high incomes and were entitled to relatively small benefits. Among all eligible nonparticipating households--

- About half had incomes above the poverty level.
- 43 percent were eligible for a relatively small monthly benefit--1 percent to 25 percent of the maximum (\$20 on average).

As shown earlier in this paper and in other research (Doyle, 1990; and Allin and Martini, forthcoming), those who are eligible for lower benefits tend to participate in the FSP at lower-than-average rates; thus, these results are not surprising. These characteristics of nonparticipating eligibles also serve as further evidence that the program is targeted effectively at those whose need is comparatively greater.

Most nonparticipating households contained either an elderly member (two-thirds of whom lived alone) or a working member (most of whom had children). These characteristics also are consistent with the findings in this paper that participation among households with elderly (35 percent) and earners (34 percent) is below average. Although a relatively large proportion of eligible nonparticipants had income above the poverty level, about half had income below the poverty line, and about half of those were eligible to receive the maximum allotment. Overall, about a quarter of all nonparticipants were eligible for the maximum monthly benefit. Table III.12 shows the characteristics of those nonparticipating households in poverty eligible for the maximum benefit. Most of these nonparticipating poor households were nonelderly households without earnings (53 percent), and most of these were without children (30 percent of 53 percent). Most of these nonparticipants were single nonelderly persons who tend to have very low participation rates.

Table III.13 shows the overall demographic and economic characteristics of eligible nonparticipating households. Overall, almost half of the eligible nonparticipating households

TABLE III.11

CHARACTERISTICS OF ELIGIBLE NONPARTICIPATING HOUSEHOLDS
ABOVE AND BELOW POVERTY: January 1988

	<u>Percent Distribution of Eligible Nonparticipating Households^a</u>		
	Below Poverty	Above Poverty	Total
Benefit Level as a Percentage of Maximum Allotment			
1-25%	7.2%	35.9%	43.1%
26-50	6.3	9.4	15.7
51-75	12.0	3.2	15.2
76-99	1.7	0.9	2.6
100	22.6	0.8	23.4
Total	49.7	50.3	100.0
Composition			
Elderly present:	21.4	26.6	48.0
Living alone	12.4	17.3	29.6
Living with others	9.0	9.3	18.3
Nonelderly households with earnings:	25.0	20.3	45.3
With children	16.3	15.0	31.2
Without children	8.8	5.3	14.1
Other	3.3	3.4	6.7
Total	49.7	50.3	100.0
Eligible Nonparticipating:			
Persons (thousands)	6,667	6,020	12,687
Households (thousands)	2,689	2,721	5,410
Benefits (millions)	\$341	\$103	\$445

SOURCE: Counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

NOTE: Eligible nonparticipants are computed as the difference between eligibles and participants.

^aPercents may not sum to 100 due to rounding error.

TABLE III.12

THE CHARACTERISTICS OF ELIGIBLE NONPARTICIPATING
HOUSEHOLDS BELOW POVERTY THAT ARE ELIGIBLE FOR
THE MAXIMUM FOOD STAMP BENEFIT: JANUARY 1988

	Eligible Nonparticipating Households Below Poverty that are Eligible for Maximum FSP Benefit	
	Population (1,000)	Distribution of Households
Composition		
Elderly present:	366.3	30.0
Living alone	268.8	22.0
Living with others	97.5	8.0
Nonelderly households with earnings:	210.5	17.2
With children	61.3	5.0
Without children	149.3	12.2
Nonelderly households without earnings	644.3	52.8
With children	277.5	22.7
Without children	366.8	30.0
Income as a Percentage of Poverty ^a		
0	204.7	16.8
1-50	649.3	53.2
51-100	367.2	30.1
Total Households	1,221.2	100.0

SOURCE: Counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

NOTE: Eligible nonparticipants are computed as the difference between eligibles and participants.

^aPercents may not sum to totals due to rounding error.

TABLE III.13

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ELIGIBLE
NONPARTICIPATING HOUSEHOLDS: January 1988

	Population (1,000)	Distribution of Households
Household Size ^a		
1	2,679	49.5%
2	943	17.4
3	622	11.5
4	494	9.1
5	289	5.3
6+	384	7.1
Household Contains: ^b		
Elderly	2,594	48.0
Elderly living alone	1,603	29.6
Disabled	507	9.4
Disabled under age 60	112	2.1
Children under age 18	1,693	31.3
Children ages 5 to 17	1,494	27.6
Single female with children	817	15.1
Single male with children	95	1.8
Two or more adults with children	781	14.4
Single nonelderly and nondisabled adult	438	8.1
White non-Hispanic head	3,727	68.9
Black non-Hispanic head	798	14.8
Hispanic head	748	13.8
Income as a Percentage of Poverty ^a		
Total \leq 100%	2,689	49.7
0	205	3.8
1-50	554	10.2
51-100	1,930	35.7
Total > 100%	2,721	50.3
Household Income Includes: ^b		
Earnings	2,763	51.1
SSI	478	8.8
Unemployment compensation	182	3.4
Total Households	5,410	100.0

SOURCE: Counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Counts of participants were distributed across subgroups of the population based on a sample of 11,012 food stamp case records from the IQCS for January and February 1988. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

NOTE: Eligible nonparticipants are computed as the difference between eligibles and participants.

^aPercents may not sum to totals due to rounding error.

^bPercents do not sum to 100 because households may exhibit more than one of the characteristics listed. Note that the elderly and the disabled categories are not mutually exclusive.

consisted of a single adult, just under one-third contained children, and over two-thirds were headed by a white non-Hispanic individual. The eligible nonparticipating households with children (31 percent) were almost evenly divided into those headed by a single female (15 of 31 percent) and those headed by two or more adults (14 of 31 percent). Only 2 percent of the eligible nonparticipating households with children were headed by a single male.

Only 4 percent of the eligible nonparticipating households reportedly had no income, and may have been subject to some form of measurement error. Very few received unemployment compensation (relatively few eligible households receive this source of income), while 9 percent received SSI.

IV. COMPARISONS OF AUGUST 1985 AND JANUARY 1988 PARTICIPATION RATES

Those interested in FSP policy often wish to know whether participation rates have changed over time. This chapter compares the participation rates in August 1985 as derived by Doyle (1990) with the participation rates in January 1988, as derived in this report. Because the same procedures were used to estimate the 1985 and 1988 participation rates, the rates are directly comparable.

Fluctuations in participation rates can be caused by changes in FSP legislation, the economy, or other programs--changes that affect the size and demographic characteristics of the eligible and participating population. For example, changes in FSP legislation that expand eligibility requirements may increase the number of eligibles immediately as more persons meet the financial eligibility criteria. The number of participants may also increase, but only to the extent that potential new recipients learn about the changes and decide to apply for food stamps. Changes in the economy can also affect the participation rate. For example, a recovering economy may reduce the number of eligibles as persons obtain jobs or increase their purchasing power. The number of participants may also decline, but because the participation rate among those who lose their eligibility in a recovering economy tends to be low (they tend to be at the margin of financial eligibility) the decline in the number of participants is usually less than the decline in the number of eligibles. Finally, since most food stamp recipients participate in other social welfare programs, changes in the eligibility requirements or benefit levels of other programs can also affect FSP participation rates.

Between 1985 and 1988, Congress passed several pieces of legislation that contained provisions to expand the size of the eligible population. The Food Security Act (FSA) of 1985, implemented in May 1986, was the most major of the legislative changes that expanded eligibility under the FSP. In addition to the 1985 FSA, the 1987 Stewart B. McKinney Homeless Assistance Act (PL 100-77), the 1988 Hunger Prevention Act (PL 100-435), and the 1990 FACT legislated smaller expansions in

eligibility and benefit levels and facilitated application procedures.¹ In addition to legislative changes between 1985 and 1988, the national economy was recovering from the recession of the early 1980s, and Medicaid began expansions whose likely effect was to increase participation in the FSP.

This chapter shows that participation rates declined slightly between 1985 and 1988 due to the lack of an immediate response to the more generous eligibility criteria introduced under the 1985 Food Security Act. Below, we examine the overall change in participation rates between August 1985 and January 1988, and examine the major reasons for the change. We then discuss the characteristics of those newly eligible that caused the change in participation rates, and examine the change in participation rates among demographic and economic subgroups of the eligible population. Finally, we examine changes in the characteristics of program eligibles who did not participate in the program and summarize the chapter.

A. CHANGES IN AGGREGATE PARTICIPATION RATES BETWEEN 1985 AND 1988

The total number of eligibles increased between August 1985 and January 1988 while the total number of participants remained relatively constant, thus lowering participation rates (Table IV.1). The number of eligible persons increased from 28.9 million to 31.0 million (by 7 percent) while the number of participants declined slightly, from 18.6 million to 18.3 million (by about 1 percent). Similarly, the number of eligible households increased by 6 percent while the number of participating households changed by less than 1 percent. Finally, benefits that would have been issued had participation among the eligibles been 100 percent increased by 24 percent, while the benefits actually received by participants increased by 10 percent. The increase in the total number of eligibles combined with the very slight change in the total number of participants lowered the participation rate between 1985 and 1988 from 64.3 percent to 59.0 percent for individuals, from 59.4 percent to 56.0 percent for households, and from 75.3 percent to 66.7 percent for total potential benefits.

¹Of the three additional legislative changes, only the 1987 Stewart B. McKinney Homeless Assistance Act was implemented between August 1985 and January 1988, and it affected a relatively small group of households.

TABLE IV.1

COMPARISON OF PARTICIPATION RATES BETWEEN 1985 AND 1988,
REFLECTING THE IMPACT OF THE 1985 FOOD SECURITY ACT

	August 1985 (Actual)			January 1988 (Pre-FSA)			January 1988 (Actual)			January 1988 Implicit Participation Rate Among Newly Eligible
	Participants (1,000)	Eligibles (1,000)	Participation Rate	Participants (1,000)	Eligibles (1,000)	Participation Rate	Participants (1,000)	Eligibles (1,000)	Participation Rate	Participation Rate
Individuals	18,560	28,884	64.3%	18,158	29,039	62.5%	18,286	30,973	59.0%	6.6%
Households	6,894	11,604	59.4	6,829	11,426	59.8	6,882	12,292	56.0	6.1
Benefits	\$807,265	\$1,072,262	75.3	\$878,477	\$1,241,738	70.7	\$890,158	\$1,334,779	66.7	6.9*

SOURCE: January 1988 counts for participants are from the Food Stamp Program Statistical Summary of Operations, adjusted for benefits issued in error. Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps. August 1985 values and rates were derived from Table 1 of Doyle (1990).

NOTE: The implicit participation rate among the newly eligible persons and households under the FSA was computed as the ratio of the newly participating in January 1988 to the newly eligible in January 1988. Newly eligible persons and households were computed as the difference between the number of actual and pre-FSA eligibles in January 1988. Similarly, newly participating persons and households were computed as the difference between the number of actual and pre-FSA participants in January 1988.

*The benefit participation rate among newly eligible households was computed as the ratio of benefits issued to newly participating households in January 1988 (\$4,629,000), to potential benefits issued to newly eligible households in January 1988 (\$67,479,033). Estimates of benefits to newly participating and newly eligible households were derived from special tabulations from the Winter IQCS file and the January 1988 SIPP analysis file.

1. Major Reasons for the Shift in FSP Participation Rates between 1985 and 1988

The major reason for the downward shift in participation rates between 1985 and 1988 was a lack of participation among those who were made eligible by the more generous eligibility criteria introduced under the 1985 Food Security Act. Among numerous other changes, the 1985 FSA--

- Granted automatic eligibility to households in which all members receive AFDC or SSI
- Separated the shelter and child care deduction limits
- Increased the asset limit for households that do not contain elderly members (from \$1,500 to \$2,000)
- Raised the asset limit for households in which elderly were living alone (from \$1,500 to \$3,000)²
- Raised the earnings deduction rate (from 18 percent to 20 percent)

To examine the influence of the 1985 FSA on the January 1988 participation rates, we simulated the number of eligibles and participants in 1988 in the absence of the FSA eligibility changes and compared the results with the number of actual eligibles and participants (the Appendix provides details on the methodology). That is, we asked, "What would the participation rates be in January 1988 if the pre-FSA rules were still in effect?" We also asked, "What is the participation rate among those who became eligible under the FSA?"

The results showed that low participation rates among those made eligible by the FSA accounts for almost all of the decline in participation rates among persons and households. As shown in Table IV.1, participation rates in January 1988 would have been almost the same as the August 1985 rates had the pre-FSA rules remained in effect. The January 1988 household participation rate would have been 59.8 percent in the absence of the FSA (compared with 59.4 percent in August 1985), and the January 1988 person participation rate would have been 62.5 percent (compared with 64.3 percent

²Formerly, only households that contained elderly members *and* two or more persons could qualify for the higher limit.

in 1985). As also shown in Table IV.1, the more generous eligibility criteria increased the number of eligible households by 866,000, or almost 8 percent, but increased the number of participating households only by 53,000 or less than 1 percent. Hence, the participation rate among newly eligible households was very low--only 6 percent, compared with a participation rate of 56 percent among all eligible households. We found similarly low participation rates among newly eligible individuals (7 percent) and potential benefits (7 percent). Thus, the FSA legislation expanded eligibility for the FSP, but most of those who became eligible did not participate, generating an overall decline in participation rates.

2. Other Influences on FSP Participation Rates

Although the 1985 FSA was the major influence on the change in participation rates between 1985 and 1988, changes in the economy and changes in other social programs may have also influenced the rates. Between August 1985 and January 1988, the national economy was recovering from the recession of the early 1980s. The seasonally adjusted national unemployment rate declined steadily during this period, from 7.1 percent in August 1985 to 5.8 percent in January 1988. Similarly, the poverty rate declined from 14.0 percent in 1985 to 13.1 percent in 1988. However, other measures paint a less rosy picture of the economy, at least in some areas of the country. For example, most of the New England states felt the effects of a recession as early as FY88. A rise in unemployment in these states was offset by a decline in unemployment in most other states, resulting in an overall decline. Moreover, prices were rising nationwide between 1985 and 1988. In particular, prices for food-at-home rose by 17 percent between 1985 and 1988.³ Hence, although the traditional national measures of the economy indicate a recovery during this period, the economic status of many low-income households may have declined between 1985 and 1988. Hence, the overall impact of the economy on the participation rates is not clear.

³Price increases are based on the change in the annual Consumer Price Index for Urban Consumers (CPI-U) for all items and for food at home from the April 1986 and the April 1989 Monthly Labor Review.

Expansions in the Medicaid program may have also influenced the change in FSP participation rates. Medicaid expansions during the late 1980s increased the number of Medicaid recipients and encouraged Medicaid recipients to join the FSP. McConnell (forthcoming) estimated that the number of Medicaid-recipient households that entered the FSP increased by about 56 percent between FY87 and FY90. The increase in Medicaid recipients who joined the FSP may have dampened the observed decline in the participation rate.

3. Changes in FSP Participation Since 1988

While data on the change in the number of eligibles since 1988 are not yet available, FSP caseload data show that the number of participants began to increase in the third quarter of fiscal year 1989 (FY89.3). Between FY89.2 and FY90.2, participation in the FSP increased by over 1 million persons (over 5 percent), reaching 20 million in March 1990 for the first time since early 1985. FSP participation has increased even more rapidly since FY90.2, reaching 25 million in December 1991. Corson and McConnell (1990) and McConnell (forthcoming) analyzed the reasons behind the increase in FSP participation between FY89.2 and FY90.2 and found that, while no one factor could have been the sole determinant of the increase, two factors explain a large proportion of the total increase. First, changes in the Medicaid program brought more persons into the Medicaid program and encouraged Medicaid recipients to join the FSP. Second, increases in the unemployment rate and the number of working poor in certain areas of the country increased participation in those areas (such as the Middle Atlantic and New England states). If forthcoming data show that the subsequent increase in the number of eligibles is less than the observed increase in the number of participants since 1988, then the participation rate will rise.

B. IMPACT OF THE FSA ON DISAGGREGATED PARTICIPATION RATES

As stated earlier, the minimal response to the more generous eligibility criteria of the 1985 FSA lowered overall participation rates. In this section, we discuss the impact of the FSA on participation

rates among subgroups of the eligible population. First, we describe which subgroups of the eligible population in 1988 were affected to the greatest extent by the provisions of the FSA. Second, we discuss the resulting impact of the FSA on disaggregated participation rates, comparing the rates across the demographic and economic characteristics of the eligible population between August 1985 and January 1988. Finally, we describe the change in the distribution of the eligible nonparticipating population between 1985 and 1988.

1. Subgroups of the Eligible Population Affected to the Greatest Extent by The FSA

Of the five major provisions of the FSA listed in Section A.1, the two provisions that raised the asset limits affected the greatest number of households and thus had the greatest impact on participation rates. Appendix Table A.2 shows that 48 percent of the newly eligible households were made eligible by the increase in the asset limit on nonelderly households from \$1,500 to \$2,000, and 37 percent were made eligible by the increase in the asset limit on single elderly households from \$1,500 to \$3,000. Hence, almost 90 percent of the newly eligible households were made eligible by the higher asset provisions. Appendix Table A.2 also shows that 30 percent of the newly eligible households were made eligible by the automatic eligibility criterion for households in which all members receive AFDC or SSI.⁴ Only 4 percent were made eligible by the higher earnings deduction.⁵

The characteristics of the newly eligible households reflect those households on which the FSA had the greatest impact. As shown in Table IV.2, 40 percent of newly eligible households are elderly who live alone (compared with 21 percent among all eligible households). Elderly who live with others account only for 9 percent of the newly eligible population. Households that contain nonelderly members represent a smaller group among the newly eligible (51 percent) than among all

⁴As discussed in the Appendix the simulation probably overestimates the impact of the automatic eligibility provision.

⁵Households could have been made eligible by more than one provision. Hence, the sum of the impact of individual provisions is greater than the total impact.

TABLE IV.2

CHARACTERISTICS OF HOUSEHOLDS BECOMING NEWLY
ELIGIBLE UNDER THE 1985 FOOD SECURITY ACT

Households with:	January 1988 Total Eligible Households		January 1988 Newly Eligible Households		Participation Rate Among January 1988 Newly Eligible Households
	Number (1,000)	Percent	Number (1,000)	Percent	Percent
Elderly	3,989	32.6%	428	49.4%	5.5%
Living alone	2,626	21.4	348	40.2	5.5
Living with others	1,363	11.2	80	9.3	5.8
Receiving public assistance	182	1.5	20	2.3	7.2
Nonelderly	8,302	67.4	438	50.6	6.7
With children	5,676	46.2	283	32.7	6.7
Receiving public assistance	2,938	24.0	155	12.3	10.3
With earnings	3,814	31.0	244	28.2	7.6
Single person	4,867	40.4	468	54.0	4.7
Income above poverty level	3,270	26.1	452	52.2	8.5
Income below poverty level	9,022	73.9	414	47.8	3.6
Total	12,292	100.0	866	100.0	6.1

SOURCE: January 1988 estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431

households eligible for food stamps.

NOTE: The participation rate among the newly eligible households under the FSA was computed as the ratio of the newly participating and their benefits in January 1988 to the newly eligible and their benefits in January 1988. Newly eligible households were computed as the difference between the number of actual and pre-FSA eligibles in January 1988. Newly participating households were computed as the difference between the number of actual and pre-FSA participants in January 1988.

eligibles (67 percent). However, among newly eligible households that contain nonelderly members, most have children (33 percent of 51 percent) and receive earnings (28 percent of 51 percent), but do not receive public assistance (12 percent of 52 percent receive public assistance). Furthermore, the income of about half of the newly eligible population was greater than the poverty level (52 percent, compared with 26 percent among all eligibles). Hence, the increase in the eligible population is concentrated largely among single elderly persons, nonelderly with earnings and children, and households whose income is above the poverty level.

As shown in Table IV.2, participation rates among all groups of newly eligible households are uniformly low--between 4 and 10 percent (compared with 56 percent among all eligible households). The highest participation rates among newly eligible households are among those that contain nonelderly members who receive public assistance (10 percent), and the lowest rates are among households whose income is below the poverty level (4 percent). Hence, the provisions of the FSA increased newly eligible households that comprise single elderly, that contain nonelderly with earnings and children, and whose income is above the poverty level, and all these groups had very low participation rates. Below, we discuss the impact of the FSA on the change in participation rates among different subgroups.

2. The Impact of the FSA on the Change in Disaggregate Participation Rates from 1985 to 1988

Tables IV.3 and IV.4 compare household participation rates in 1985 and 1988 by the demographic and economic characteristics of households and show the impact of the FSA on the change in rates. The second column in Tables IV.3 and IV.4 shows what the participation rates of each of the subgroups would have been in the absence of the FSA. The last two columns show the percentage change in participation rates between 1985 and 1988 (1) due to the provisions of the FSA, and (2) in the absence of the provisions of the FSA.

In the absence of the FSA, FSP participation rates among many subgroups would have increased between 1985 and 1988, as shown in the last column in Table IV.3. For example, participation rates

TABLE IV.3

COMPARISON OF HOUSEHOLD PARTICIPATION RATES BY SELECTED
DEMOGRAPHIC CHARACTERISTICS: AUGUST 1985 AND JANUARY 1988

Demographic Characteristic	August 1985 (Actual)	January 1988 (Pre-FSA)	January 1988 (Actual)	Percent Change in Participation Rates		
				Overall	Percent Change Due to FSA	Percent Change in the Absence of FSA
Household Contains:						
Elderly Age 60 or Older	37.3%	38.5%	35.0%	-6.2%	-9.1%	3.2%
Disabled under Age 60	46.7	61.1	55.2	18.2	-9.7	30.8
Children under Age 18	73.9	74.9	71.3	-3.5	-4.8	1.4
Single Person	49.8	49.2	45.0	-9.6	-8.5	-1.2
Single Female Adult with Children	74.8	77.5	75.5	1.0	-2.6	3.6
Single Male Adult with Children	45.9	62.8	55.8	21.6	-11.1	36.8
Two or More Adults with Children ^a	75.3	72.1	66.8	-11.3	-7.4	-4.2
White non-Hispanic Head	48.9	51.5	46.9	-4.1	-8.9	5.3
Black non-Hispanic Head	77.1	77.8	76.0	-1.4	-2.3	0.9
Hispanic Head	54.8	55.4	54.2	-1.1	-2.2	1.1
Total	59.4	59.8	56.0	-5.7	-6.4	0.7

SOURCES: January 1988 rates were derived from Table 4 of this report. August 1985 rates were derived from Table 2 and Table 4 of Doyle (1990).

NOTE: The percent change in participation rates *due to the FSA* is the percent change between pre-FSA rates and actual rates in January 1988. The percent change in participation rates *in the absence of the FSA* is the percent change between actual rates in 1985 and pre-FSA rates in 1988.

^aIncludes both households in which the gender of the household head is unknown and female-headed households that contain two or more adults.

TABLE IV.4

COMPARISON OF HOUSEHOLD PARTICIPATION RATES
BY SELECTED ECONOMIC CHARACTERISTICS:
AUGUST 1985 AND JANUARY 1988

Economic Characteristic	August 1985 (Actual)	January 1988 (Pre-FSA)	January 1988 (Actual)	Percent Change in Participation Rates		
				Overall	Percent Change Due to FSA	Percent Change in the Absence of FSA
Monthly Benefit Level As A Percent of Maximum Allotment						
1-25%	30.0%	32.1%	29.9%	-0.3%	-6.9%	7.0
26-50%	58.3	62.8	61.5	5.5	-2.1	7.7
51-75%	86.0	77.0	68.7	-20.1	-10.8	-10.5
76-99%	89.1	97.0	91.0	2.1	-6.2	8.9
100%	64.3	53.0	50.5	-21.5	-4.7	-17.6
Income as a Percentage of Poverty						
Total ≤ 100%	74.6	73.4	70.2	-5.9	-4.4	-1.6
0	69.0	73.1	70.0	-1.4	-4.2	5.9
1-50	92.7	81.9	78.5	-15.3	-4.2	-11.7
51-100	7.2	69.6	66.5	-1.0	-4.5	3.6
Total > 100	14.8	18.1	16.8	13.5	-7.2	22.3
Source of Income						
Earned income	36.8	35.7	33.9	-7.9	-5.0	-3.0
SSI:	65.7	82.2	75.0	14.2	-8.8	25.1
Elderly in the unit	66.6	77.9	70.3	5.6	-9.8	17.0
No elderly in the unit	64.1	89.4	82.6	28.9	-7.6	39.5
Public assistance:	115.5	114.7	110.5	-4.3	-3.7	-0.7
AFDC	118.5	117.6	112.5	-5.0	-4.3	-0.8
Other welfare	97.4	101.0	98.9	1.5	-2.1	3.7
Unemployment compensation	75.6	52.2	46.4	-38.6	-11.1	-31.0
Total	59.4	59.8	56.0	-5.7	-6.4	0.7

SOURCES: January 1988 rates were derived from Table 4 of this report. August 1985 rates were derived from Table 2 and Table 4 of Doyle (1990).

NOTE: The percent change in participation rates *due to the FSA* is the percent change between pre-FSA rates and actual rates in January 1988. The percent change in participation rates *in the absence of the FSA* is the percent change between actual rates in 1985 and pre-FSA rates in 1988.

among households that contain elderly members and households that contain children would have increased (by 3 percent and 1 percent, respectively) in the absence of the FSA instead of decreasing (by 6 percent and 4 percent). In other words, the more generous provisions of the FSA were responsible for all of the decline in participation rates among households that contain elderly or children. Similarly, almost all of the decline in the participation rates of single-person households can be attributed to the FSA, which increased the number of eligible single persons whose assets were high and participation rates were low. In the absence of the FSA, the participation rate among single-person households would have declined only about 1 percent, instead of almost 9 percent. Participation rates among other subgroups increased between 1985 and 1988 despite the more generous provisions of the FSA. For example, participation rates among households that contain disabled persons (under age 60) increased by 18 percent overall. In the absence of the FSA, the rates would have increased even more. Similarly, the participation rates of households comprised of single male adults with children were higher in 1988 than in 1985, but the participation rate would have been even higher in the absence of the FSA (however, because the sample size of this latter group was very small, the results should be viewed with caution).

Table IV.4 shows that the FSA also had a large influence on participation rates according to the economic characteristics of eligible households. For example, in the absence of the FSA, participation rates for households that receive small benefits (1 to 25 percent of the maximum allotment) would have increased by 7 percent (rather than not changing at all). For households that receive large benefits (between 76 and 99 percent of the maximum allotment), participation rates would have increased by 9 percent in the absence of the FSA (rather than by only 2 percent). However, for households that receive between 51 and 75 percent of the maximum allotment, and for those at the maximum allotment, participation rates would have declined anyway, due to other factors. These factors may have included a worsening economy (and lower incomes) for some low-income households, despite an improving economy overall, as discussed earlier.

The provisions of the FSA accounted for most of the decline in participation rates among households whose income was less than the poverty level. In the absence of the FSA, participation rates among households in poverty would have declined by less than 2 percent (rather than by 6 percent). The participation rates of households whose income was greater than the poverty level increased, but would have increased even more in the absence of the FSA. Among households with earnings and households with public assistance, most of the decline in rates is due to the FSA. Participation rates among households with earnings would have declined only by 3 percent (rather than by 8 percent), and the rates for households that receive public assistance would have changed by less than 1 percent in the absence of the FSA. Participation rates among SSI households would have increased to an even greater extent in the absence of the FSA. Finally, the large decline in the participation rates of households that received unemployment compensation, was largely due to factors other than the FSA, but because the sample size of this group is very small the results must be viewed with caution. Overall, participation rates would have remained about the same (at about 60 percent) had the FSA not been passed, and the rates among most groups would have increased or changed very little in the absence of the FSA.

3. Change in the Distribution of Eligible Nonparticipating Households between 1985 and 1988

As shown in Table IV.5, the distribution of eligible households that did *not* participate in the FSP did not change much between 1985 and 1988. As in 1985, a relatively large proportion of eligible households that did not participate in 1988 contained elderly persons (48 percent), had high incomes (50 percent), or were eligible for small benefits (43 percent).

The distribution of *newly eligible* nonparticipating households is also similar to the distribution of total eligible nonparticipating households in both 1985 and 1988. However, several groups of newly eligible households in 1988 show a slightly higher proportion of nonparticipants, reflecting the types of groups that were affected to the greatest extent by the FSA. For example, the proportion of nonparticipating newly eligible households that contained elderly persons who lived alone is about

TABLE IV.5
COMPARISON OF THE DEMOGRAPHIC AND ECONOMIC
CHARACTERISTICS OF ELIGIBLE NONPARTICIPATING HOUSEHOLDS:
AUGUST 1985 AND JANUARY 1988

	Percent Distribution of Eligible Nonparticipating Households		
	August 1985	January 1988	January 1988 Newly Eligible
Household Contains^b			
Elderly	52.7%	48.0%	49.7%
Elderly living alone	32.4	29.6	40.4
Disabled	11.5	9.4	14.1
Disabled living alone	3.7	2.1	4.8
Children under age 18	30.5	31.3	35.7
Single person	49.6	49.5	54.8
Single female with children	17.1	15.1	10.8
Single male with children	2.4	1.8	3.0
Two or more adults with children	11.0	14.4	22.0
White non-Hispanic head	73.2	68.9	83.4
Black non-Hispanic head	15.8	14.8	9.7
Hispanic head	12.4	13.8	4.7
Income as a Percent of Poverty			
Total < 100%	46.7	49.7	49.1
0	4.5	3.8	3.7
1 - 50	3.9	10.2	13.3
51 - 100	38.3	35.7	32.2
Total > 100%	53.4	50.3	50.9
Benefit as a Percent of Maximum Allotment			
1 - 25%	54.8	43.1	31.8
26 - 50%	19.5	15.7	5.2
51 - 75%	5.8	15.2	34.9
76 - 99%	3.8	2.6	12.1
100%	16.2	23.4	16.0
Household Income Includes^b			
Earnings	49.3	51.1	30.6
SSI	14.4	8.8	21.2
Unemployment compensation	1.3	3.4	4.9
Total Households	100.0	100.0	100.0
Eligible Nonparticipating:			
Persons (thousands)	10,323	12,686	1,806
Households (thousands)	4,711	5,410	813
Benefits (millions)	\$265	\$445	\$63

SOURCES: January 1988 percents were derived from Table 13 of this report. August 1985 percents were derived from Table 12 of Doyle (1990). January 1988 newly eligibles are based on tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

NOTE: Eligible nonparticipants are computed as the difference between eligibles and participants.

^aPercents may not sum to totals due to rounding error.

^bPercents do not sum to 100 because households may exhibit more than one of the characteristics listed. Note that the elderly and the disabled categories are not mutually exclusive.

40 percent, compared with 30 percent among all eligible nonparticipating households. This difference reflects the large FSA-induced increase in single elderly eligibles whose participation rates were low (shown earlier in Table IV.2). Similarly, newly eligible households that contained children, that comprised single persons, and that were headed by white non-Hispanic persons show a slightly larger proportion of nonparticipants than among all eligible households in 1988.

The distribution of newly eligible nonparticipating households by household income level is also very similar to the income-level distribution among all eligible nonparticipating households in both 1985 and 1988. However, the proportion of nonparticipants eligible to receive 51 to 75 percent of the maximum benefit allotment is higher among newly eligibles than among all eligibles in 1988.

C. SUMMARY

This chapter has shown that the lack of response to the expansionary provisions of the FSA caused the decline in overall participation rates between 1985 and 1988. In the absence of the FSA, overall participation rates in 1988 would have remained at about the same level as they were in 1985. The FSA provisions to raise the asset limit had the greatest impact on the eligible pool of households, and thus participation rates. In particular, households containing single elderly persons, or nonelderly persons with earnings and children (but no public assistance) had the greatest increase in new eligibles as a result of the FSA provisions. Because these newly eligibles had uniformly low participation rates, overall participation rates declined. However, in the absence of the FSA, participation rates among many of these subgroups would have increased.

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APPENDIX

TECHNICAL PROCEDURES USED TO COMPUTE PARTICIPATION RATES AND TO ESTIMATE THE IMPACT OF THE 1985 FSA

As noted in the text, we derived the participation rates in this study by comparing administrative data on program participation with survey data on program eligibles. This appendix provides detailed information on how we constructed the numerators and the denominators. We conclude with a discussion on how we determined participation rates in the absence of the provisions of the Food Security Act.

A. USING ADMINISTRATIVE DATA TO ESTIMATE THE NUMBER OF PARTICIPANTS

One reason for the disparities in previous estimates of FSP participation rates (as noted earlier) is that household survey respondents report their own participation--data that are known to be substantially underreported. For example, the U.S. Department of Commerce (1989) estimated that only 76 percent of the households that received food stamps in 1988 reported receiving food stamps in the March 1989 CPS. Conversely, the U.S. Department of Commerce (1986) estimated that, on average, 92 percent of the households that received food stamps from October to December 1984 reported receiving food stamps in the SIPP data during that period.

The estimates of the numerator in the rates reported in the text are based on administrative data derived from three sources. The first source is the Program Operations data, which contain information on the number of persons and households that are issued benefits and the total dollar value of the coupons issued for January 1988. The Program Operations statistics are presented by state, allowing us to adjust the totals to estimate the caseload residing in the 50 states and the District of Columbia, the population reflected in SIPP.

The second data source is the Integrated Quality Control System (IQCS). We used this source to adjust the Program Operations statistics to eliminate ineligible participants and erroneous benefits which could not be captured in the SIPP-based estimates of eligibility. The number of participating households in FY 1988 Program Operations data was adjusted downward by 2.66 percent to eliminate ineligible households. Similarly, total benefits reported in the Program Operations data were adjusted

to correct for erroneous benefit payments to ineligible households and for under and over payments to eligible households (net reduction of 4.88 percent.)

The third data source is a sample of food stamp case records from the January and February 1988 IQCS samples. We used the sample of case records to calculate the distribution of persons, households, and benefits across various demographic and economic characteristics.

B. USING SIPP TO ESTIMATE THE NUMBER OF ELIGIBLES

We used a multi-step process to derive our estimates of the FSP-eligible population in January 1988. First, using SIPP data, we developed an analysis file that reflected the U.S. population as of January 1988. We then used this file to simulate program eligibility, a process whereby we quantified the program rules defined in the Chapter II and applied them to each dwelling unit in the data base. For each dwelling unit we also estimated its composition, eligibility status, and potential benefits. Section B.1 summarizes how we developed the analysis file, and section B.2 assesses the outcome of the eligibility simulation.

1. Developing the Analysis File

SIPP is a nationally representative longitudinal survey of adults in the United States that provides detailed monthly information on income, program participation, and wealth. It is a multipanel longitudinal survey to which replacement panels are added each year. At the time of this study, only data from the first four panels (1984 through 1987) were available. Each panel contains information on persons in a longitudinal sample followed for a period of two years or more. The longitudinal sample consists of adults age 15 or older who reside in a cross-sectional sample of dwelling units in the United States. These adults, along with other individuals with whom they resided, are interviewed every four months. In each round of interviewing (or "wave"), a core questionnaire collects information on each of the four months preceding the interview date. In most waves, the monthly core questions are supplemented with questions on a variety of topical issues that vary from wave to

wave. Because the interviewing process is staggered, the reference period that is covered in any given wave is not the same for all sample members.

Although the survey is longitudinal, it is designed to support cross-sectional estimates for Census households that reside in the 50 states and the District of Columbia. For this analysis, we derived cross-sectional estimates of food stamp-eligible households from Wave 7 of the 1986 panel and Wave 4 of the 1987 panel, each of which we combined with information collected in other selected waves of the respective panels. Although Wave 7 of the 1986 panel and Wave 4 of the 1987 panel were independent samples of the U.S. population, their reference periods overlapped. Furthermore, a straightforward adjustment to the sample weights allowed us to base estimates on combined panels.

We chose these two waves for the following reasons: (1) they sampled the population in the month of January, making the reference period comparable with the administrative data used for the numerator;¹ (2) they contain topical information on assets; and (3) together, they provide a relatively large sample size (18,870 households). Integrating data from the other waves within each panel was necessary because Waves 7 and 4 do not contain the selected information necessary for estimating food stamp eligibility. Although they do contain measures of monthly income, monthly Census household composition, and assets, they do not contain measures of medical, child care, and shelter expenses, and the information necessary for determining disability status is incomplete. We corrected the omissions as follows:

- We imputed out-of-pocket medical expenses on the basis of data from the Consumer Expenditure Survey.
- We linked child-care expenses from Wave 6 to Wave 7 of the 1986 panel and from Wave 3 to Wave 4 of the 1987 Panel, using procedures designed to compensate for changes in circumstances that might have occurred within each panel.

¹Because one-fourth of the sample in Wave 7 of the 1986 panel did not include information for the month of January, we deleted this portion of the sample and reweighted the remaining observations.

- **Gross income.** The measure of gross income used in this study is close to, but not precisely the same as, gross income reported to the food stamp caseworker. First, survey data on income and program participation, such as the data collected in SIPP, tend to be underreported. For example, the number of AFDC recipients in SIPP was only 82 percent of an independent estimate derived from administrative data; the number of recipients of unemployment compensation was 79 percent of the benchmark; and the number of recipients of veterans' benefits was 90 percent of the benchmark (U.S. Department of Commerce, 1985). Second, the definition of income for purposes of food stamp eligibility is not precisely the same as income measured in SIPP. For example, the Food Stamp Program counts net self-employment earnings averaged over a period of up to one year, whereas SIPP measures self-employment draw. Third, as noted earlier, unit composition simulated with SIPP data differs from the caseworker's determination of the food stamp household, and, hence, aggregated income for the food stamp household may differ as well.
- **Net income.** Using approximated medical expenses for elderly and disabled individuals, combined with measurement error in how shelter and child-care expenses are collected in SIPP, will somewhat distort simulated net income. The SIPP definitions of shelter and dependent-care expenses also differ slightly from the FSP definitions. For example, expenses incurred for the care of incapacitated adults are not included in the dependent-care expenses in SIPP.
- **Disability status.** We relied on reported disability and reported income receipt as specified under the program to determine disability. Reporting and measurement errors in SIPP may somewhat distort the number of disabled individuals identified in this manner.
- **Measurement error.** Several forms of nonsampling errors affect the eligibility simulation, including the underreporting of income and program participation noted earlier, and the misclassification of benefit and income types. Of particular concern is the existence of persons who report participation in SSI or public assistance programs at the same time that they report income on assets in excess of the eligibility limits for those programs (that is, "seemingly-ineligible" participants).

Table A.1 shows the possible bias due to each of these measurement and reporting errors. The net result on estimates of the number of eligibles is uncertain. Underreporting of gross income will bias the estimates of eligible households upward, since more households will appear to have met the income limits than actually did. Also, under the automatic eligibility provision of the Food Security Act of 1985, households comprised entirely of "seemingly-ineligible" SSI or public assistance participants are treated as eligible for food stamps even though their income and assets exceed food stamp eligibility limits. To the extent that the income or asset measure (as opposed to the partici-

TABLE A.1
FACTORS THAT AFFECT THE SIMULATION OF FOOD STAMP
ELIGIBILITY WITH SIPP, AND THE
DIRECTION OF THE BIAS

Source of Error	Effect on Estimates of the Number of Eligibles
Unit Definition	Underestimate
Countable Assets	Overestimate
Gross Income	
Underreporting	Overestimate
Definition	Underestimate
Program participation	Underestimate of eligibles
underreporting and misreporting	participating in other programs
Net Income	Unknown
Disability Status	Underestimate
Measurement Error	Unknown
Inconsistencies between income and program participation	Overestimate

pation measure) is correct, the number of food stamp eligible households is overstated. The inability to replicate program regulations perfectly in the calculation of deductions from expenses may also lead to an overestimate of the number of eligible households. Furthermore, selected assets are omitted from our analysis file (for example, persons not present at the time of the interview have zero imputed vehicular assets), thus overestimating the size of the eligible population.

On the other hand, the omission of some types of expenses may bias the measurement of net income upward, thus reducing the estimate of the number of eligible households. Finally, the underrepresentation of some groups of individuals biases the estimates of eligibles downward. As illustrated earlier, the SIPP data seem to significantly underrepresent households that receive public assistance. These households form a large portion of the eligible and participating populations. Thus, some of the participation-rate estimates for these households exceed 100 percent.

Doyle (1990) analyzes the impact of selected measurement and reporting errors on measures of food stamp eligibility.

C. TECHNICAL PROCEDURES USED TO ASSESS THE IMPACT OF THE FOOD SECURITY ACT ON FOOD STAMP PROGRAM PARTICIPATION RATES

In May 1986, the government implemented several major changes to the Food Stamp Program introduced as part of the Food Security Act (FSA) of 1985, many of which increased program eligibility. Among other changes, the maximum amount of deductible shelter expenses imposed on households without an elderly or disabled person was separated from the limit on child-care expenses. The earnings deduction was raised from 18 to 20 percent of countable earned income. The asset limit for single elderly households was raised from \$1,500 to \$3,000, and the asset limit for other nonelderly households was increased from \$1,500 to \$2,000. Finally, pure-AFDC/SSI households were deemed to be automatically eligible for food stamps. This section describes how we estimated the impact of these new provisions on the food stamp participation rate.

We computed the number of eligible and participating households, individuals, and benefits under both the current program and the pre-FSA program, and compared the results. To determine eligible households under the pre-FSA regulations, we calculated eligibility and benefits as if the FSA rules had not been in effect in 1988. For this purpose, we assumed that Food Stamp Program parameters would have had the same values as those in effect in January 1988, with the following exceptions:

- No automatic eligibility for pure-AFDC/SSI households
- An earnings-deduction rate of 18 percent
- Asset limits of \$3,000 and \$1,500, where the former applies to a household size of two or more with at least one elderly member
- A combined shelter/child-care maximum deduction of \$160

We used a somewhat more complicated procedure to determine pre-FSA participants. Based on the winter 1988 sample of participating households from the IQCS, we calculated eligibility and benefits as if the pre-FSA rules had been in effect (using the same assumptions discussed above). We then computed the relative impact of the FSA rules on the sample caseload (that is, 1 percent of the sample caseload would have been ineligible had the pre-FSA rules been in effect). Finally, we applied the relative impact estimates to the adjusted participant controls used to compute January 1988 participation rates.

As discussed in the body of this report, the FSA asset-limit provisions had the greatest impact on the eligible pool of households. In particular, these provisions had a greater effect on the participation rates of single-person elderly households than on the rates of most other groups. Table A.2 shows the number of households that were made eligible by each provision of the FSA. The impact of the provision to raise the asset limit on single elderly households from \$1,500 to \$3,000 increased the number of eligible units by nearly 3 percent. In other words, nearly 40 percent of the newly eligible households were single elderly households. Thus, participation rates among elderly

TABLE A.2
THE INCREMENTAL IMPACT OF THE MAJOR
PROVISIONS OF THE FOOD SECURITY ACT

FSA Program Provision	January 1988 Newly Eligible Households		Newly Eligible Households as a Percent of Total Eligible Households
	(thousands)	(percent)	(percent)
Automatic eligibility for AFDC/SSI households	259 ^a	30%	2.3%
Separate shelter and child-care limit	0	0	0
Higher asset limit on nonelderly households	412	48	3.6
Earnings deduction at 20 percent	36	4	0.3
Higher asset limit for elderly living alone	317	37	2.6
Net impact of all of the above ^b	866	100	7.0

SOURCE: Estimates for eligibles were derived from tabulations prepared with the January 1988 analysis file developed by MPR from SIPP, 1986 and 1987 panels. The SIPP analysis file contains a total of 18,870 households and 2,431 households eligible for food stamps.

^aOf these households, 177,000 received SSI, and the remainder received AFDC but not SSI.

^bThe net impact of these provisions is less than the sum of the newly eligible households under each provision considered separately, because households can be subject to more than one provision. Hence, percents add to more than 100.

households and among single-person households declined. In fact, in the absence of the FSA, the participation rate among single person households would have been 49 percent, and the participation rate among elderly households would have been 39 percent, compared with actual rates of 45 percent and 35 percent, respectively.

As mentioned previously, the simulation probably overestimates the impact of the automatic eligibility provision for households in which all members receive AFDC or SSI (pure-AFDC/SSI households), since many of the households that reported participating in SSI appeared to be ineligible for SSI due to high income or assets. Under pre-FSA rules, the high incomes of these households would make them ineligible for food stamps. However, under the new FSA rules, they become eligible for food stamps automatically despite their high incomes and assets--because they report participation in SSI. In the April 1984 SIPP file, just under 15 percent of the total number of persons who reported SSI receipt appeared to be ineligible for SSI benefits (Doyle, Miller and Sears, 1990). While we do not know the number of these persons who reside in *pure-AFDC/SSI* households, we do know that 8 percent of all SSI participants in the January 1988 SIPP data base would be ineligible for food stamps if they applied as separate one-person households (Doyle, 1991).